

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1270-04
Bill No.: Truly Agreed To and Finally Passed HCS for SCS for SB 456
Subject: Bonds-Surety; Business and Commerce; Insurance - Automobile; Motor Vehicles;
 Revenue Department
Type: Original
Date: May 27, 2015

Bill Summary: This proposal modifies provisions relating to the ownership of motor vehicles.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| General Revenue | (\$55,070) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | (\$55,070) | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------------|------------------|------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Highway Fund | (Unknown) | (Unknown) | (Unknown) |
| Total Estimated Net Effect on Other State Funds | (Unknown) | (Unknown) | (Unknown) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Section 301.140

Officials from the **Department of Revenue (DOR)** assume this proposal extends the time period to ninety days for the use of temporary transferred license plates and temporary permits issued by dealers to any person purchasing a vehicle that falls under the provisions of the proposed section 301.213.

Section 301.190

DOR officials state a person is not required to apply for a certificate of ownership within thirty days if they have acquired the vehicle from a motor vehicle dealer prior to the dealer having a certificate of ownership. The buyer will have thirty days after receiving title from the dealer to apply for a certificate of ownership pursuant to the proposed section 301.213.

Delinquent fee provisions are not to apply to a vehicle purchased under the proposed section 301.213, until thirty days after receiving the title from the dealer.

Section 301.213

DOR assumes this section modifies provisions from Section 407.581, RSMo. A dealer may sell a vehicle prior to receiving the certificate of ownership if such dealer has filed at least a \$100,000 bond with the Department of Revenue. If the dealer chooses to sell the vehicle prior to receiving the certificate of ownership the dealer must provide the purchaser an application for title in the purchaser's name, and have entered into a written agreement for the delivery of the certificate of ownership within sixty days. The purchaser is required to provide the dealer proof of financial responsibility and proof of comprehensive insurance with collision coverage. The dealer shall maintain a copy of this agreement.

The purchaser may use the dealer-supplied copy of the agreement to transfer his or her ownership of the vehicle to an insurance company in situations where the vehicle has been declared salvage or a total-loss by the insurance company as a result of a settlement of a claim.

ASSUMPTION (continued)

If the dealer fails or is unable to deliver a certificate of ownership to the purchaser, and the purchaser of the vehicle is damaged, the dealer is liable for actual damages, plus court costs and attorney fees. If a seller misrepresents to a dealer that they are the owner of the vehicle, and certain parties are damaged as a result, the seller shall be liable to the party for both actual and punitive damages, plus court costs and attorney fees.

When a lienholder is damaged as a direct result of a licensed dealer's violation of this act, the dealer shall also be liable for actual damages, plus court costs and attorney fees.

The Department of Revenue may use a dealer's repeated or intentional violation of this act as a cause to refuse to issue or renew any license.

Section 301.562

DOR assumes this section adds section 301.580 to allow the Department to review all title designations on a certificate of ownership or title pursuant to Section 301.190 or 301.227, RSMo. Expressly authorizes the Department to enter into agreements with dealers instead of suspending or revoking their license.

Section 301.644

DOR assumes this new section was added to allow insurance companies to utilize a power of attorney with an electronic signature, without notarization, when forwarding paperwork to the Department on a total loss claim. Gives the Department rulemaking authority. This section repeals Section 407.581, RSMo.

Administrative Impact

DOR would allow dealerships with a \$100,000 bond to issue temporary permits for 30 or 90-days. Dealerships with a \$25,000 bond will only be able to issue 30-day temporary permits.

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Titling Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.

ASSUMPTION (continued)

- The Dealer Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- Development of a form required under section 301.213.3(5) by a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.
- MVB user acceptance testing for identified systems. This will require 120 hours by a Management Analyst Specialist I at a cost of \$2,670 in FY 2016.
- Send out a Titling Tips publication to update licensed Missouri dealers and title services of the change. There will be no additional cost for this.
- OA-ITSD cost of \$48,600 to update existing software to accommodate the changes.

There are no statistics available to determine exactly how many additional contact and e-mails the Department will receive as a result of this legislation. If the volume is significant enough that it cannot be absorbed by existing staff, additional FTE(s) will be requested through the appropriation process.

In summary, DOR assumes a cost of \$55,070 ($\$890 + \$890 + \$890 + \$890 + \$240 + \$2,670 + \$48,600$) in FY 2016 to provide for the implementation of the changes in this proposal.

Revenue Impact

DOR assumes this proposal extends the time period to 90-days for the use of transferred license plates or temporary permits issued by dealers for any person purchasing a vehicle that falls under the proposed provisions of 301.213. This change may reduce the amount of title penalties the Department will collect.

Officials from the **Office of the State Courts Administrator** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (10 Mo.) | FY 2017 | FY 2018 |
|---|--------------------------|-------------------------|-------------------------|
| GENERAL REVENUE | | | |
| <u>Cost - DOR</u> | <u>(\$55,070)</u> | <u>\$0</u> | <u>\$0</u> |
| Administrative Cost | | | |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | <u>(\$55,070)</u> | <u>\$0</u> | <u>\$0</u> |
| HIGHWAY FUND | | | |
| <u>Loss - DOR</u> | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| Reduction in title penalty fees | | | |
| ESTIMATED NET EFFECT TO THE HIGHWAY FUND | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| <u>FISCAL IMPACT - Local Government</u> | | | |
| | FY 2016 (10 Mo.) | FY 2017 | FY 2018 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small business dealers may be impacted by this proposal.

FISCAL DESCRIPTION

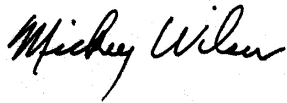
This act modifies provisions relating to the ownership of motor vehicles.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue



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May 27, 2015

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May 27, 2015